U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-KSB

(Mark One)
[**X**] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934
For the year ended December 31, 2001

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934
For the transition period from _______________ to _______________.

Commission File No. 0-14720-NY

CVD EQUIPMENT CORPORATION
(Exact name of registrant as specified in charter)

New York	**11-2621692**
(State of incorporation)	(IRS Employer Identification No.)

1881 Lakeland Avenue, Ronkonkoma, New York 11779
(Address of principal executive offices)
631-981-7081
(Registrant's telephone number)

Securities Registered Pursuant to Section 12 (b) of the Act: NONE

Securities Registered Pursuant to Section 12 (g) of the Act:

Common Stock

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Check if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

The registrant's revenues for 2001 were $10,839,993

The aggregate market value of voting stock held by non-affiliates of the registrant on March 1, 2002 was $3,422,343 based on a closing price of $2.30 on that date.

As of March 1, 2002 there were 3,032,325 shares of Common Stock, Par Value $.01 Per Share, Outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

INTRODUCTION

Statements contained in this Report on Form 10-KSB that are not historical facts are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, including without limitation, statements regarding industry trends, strategic business development, pursuit of new markets, competition, results from operations, and are subject to the safe harbor provisions created by that statute. A forward-looking statement may contain words such as “intends”, “plans”, “anticipates”, “believes”, “expect to”, or words of similar import. Management cautions that forward-looking statements are subject to risks and uncertainties that could cause the Company’s actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to, marketing success, product development, production, technological difficulties, manufacturing costs, and changes in economic conditions in the markets the Company serves. The Company undertakes no obligation to release revisions to forward-looking statements to reflect subsequent events, changed circumstances, or the occurrence of unanticipated events.

GENERAL DEVELOPMENT OF BUSINESS

CVD Equipment Corporation (the “Company”) was incorporated under the laws of New York State in October 1982. On September 11, 1985 the Company made an initial public offering of 700,000 units underwritten by D. H. Blair & Co., 44 Wall Street, New York, New York 10005, pursuant to which it received net proceeds of $2,683,640.

In December 1998, the Company purchased at public auction the former inventory, tangible assets, intangible assets and intellectual property of Stainless Design Corporation, Saugerties, NY, for $672,095.

On December 14, 1998, the Company entered into a contract with Kidco Realty Corp. to purchase, for $1,400,000, the facility owned by Kidco Realty Corp. located at 1117 Kings Highway, Saugerties, NY 12477 and formerly occupied by Stainless Design Corporation. On April 29, 1999, the contract closed. The purchase price was paid by cash funds from the Company in the amount of $500,000 and Kidco Realty Corp. issuing a 30 year amortization, 7% interest, 10 year balloon, non recourse purchase money note and mortgage to the Company in the amount of $900,000.

On December 23, 1998 the Company formed a new 100% owned subsidiary called Stainless Design Concepts, Ltd. (SDC). The new subsidiary is located at 1117 Kings Highway, Saugerties, NY 12477. The new subsidiary manufactures ultra high purity gas and chemical delivery control systems for the semiconductor industry. On April 23, 1999, the new subsidiary was merged into the Company as a wholly owned division.

On November 5, 1999 the Company formed another division called Equipment Consulting Services (ECS). This new division is also located at 1117 Kings Highway, Saugerties, NY 12477. The new division focuses on equipment consulting and the refurbished semiconductor equipment market, a $1.5 billion industry. Our existing facilities and capabilities enables us to become an important player in this market. ECS is an Associate Member of the Surplus Equipment Consortium / Network (SEC/N).

On November 9, 2001 the Company acquired the assets of the Surface Mount Technology division of Research Inc., known as Research International (RI). CVD's new division called Research International (RI) is located at 1860 Smithtown Avenue, Ronkonkoma, NY 11779. Research International is a leading manufacturer of Surface Mount Technology (SMT) furnace equipment.

As evidenced by the Company's development of these new divisions, our growth strategy is one of expanding revenues and increasing profits through internal growth and acquisition. An important ingredient in our Strategic Plan is to be an active player in the acquisitions environment. We look for businesses that are:

- Synergistic in nature to our core business
- Complementary to our existing product lines
- Geared toward a start-up or turnaround situation
- Opportunistic for growth and profit development

In the year 2001, CVD Equipment Corporation was again named to Deloitte & Touche's prestigious "Long Island Technology Fast 50" program, which ranks the 50 fastest growing technology companies on Long Island.

Deloitte & Touche computed all calculations for revenue growth rate with CVD having a five-year revenue growth rate of 76.5%.

CVD is a leading manufacturer of critical LPCVD, UHVCVD, MOCVD, LPE, VPE and RTP products and services for the Semiconductor, Optoelectronic and Wireless Telecommunications markets. CVD is proud to be recognized as a key player within Long Island's growing technology sector.

The Long Island Technology Fast 50 program is sponsored by Deloitte & Touche LLP, The Bank of New York, the Nasdaq Stock Market, the Long Island Technology Center, the Long Island Association, SUNY Stony Brook, Idea Alley, Long Island High Technology Incubator at Stony Brook, Newsday, Certilman Balin Adler & Hyman,LLP, Long Island Software & Technology Network, and Invision.com.

THE ORGANIZATION

Each division, CVD, SDC, ECS , and RI has their own operating manager with sales and administration being handled by corporate managers. Thus, each division operates reasonably autonomously on a day to day basis. Yet, there is an overall corporate coordination in the day to day administration of the business, in setting policy and consistently applying procedures.

INFORMATION ABOUT INDUSTRY SEGMENTS

The Company designs, develops, manufactures, markets, installs and services equipment primarily for the semiconductor industry. The Company's products include (1) both batch and single substrate systems used for depositing, rapid thermal processing, annealing, diffusion and etching of semiconductor films, (2) gas and liquid flow control systems, (3) ultra high purity gas and chemical piping delivery systems, (4) fabricates standard and custom quartzware, (5) equipment consulting and refurbishing of semiconductor processing equipment, and (6) reflow furnaces for surface mounting of components onto printed circuit boards. The Company's products are generally manufactured to the particular specifications of each of its customers.

GENERAL NARRATIVE DESCRIPTION OF BUSINESS
Semiconductor components are the fundamental electronic building blocks used in modern electronic equipment and systems. These components are classified as either discrete devices (such as transistors) or integrated circuits (in which a number of transistors and other elements are combined to form a more complicated electronic circuit). In an integrated circuit, these elements are formed on a small “chip” of silicon or gallium arsenide, which is then encapsulated in an epoxy, ceramic, or metal package having lead wires for connection to a circuit board. The Company’s products are used in the manufacture of these components.

CVD DIVISION
Designs and manufacturers both standard and custom equipment for the semiconductor industry. CVD has developed a fine reputation for producing high quality products. CVD’s equipment has leading edge technology and is utilized for silicon germanium, silicon carbide, and gallium arsenide processes. These processes are paramount in the optoelectric and wireless communications arena.

SDC DIVISION
Designs and manufactures in their Class 100 cleanroom, ultra high purity Gas and Chemical Delivery systems. Their field service group provides for contract maintenance, high purity fab and equipment installations and equipment removal.

ECS DIVISION
Provides semiconductor equipment consulting and refurbishing services. Their expertise crosses over many product lines as well as manufacturers, positioning the division to meet the changing requirements of the industry.

RI DIVISION
Provides reflow furnaces to support world wide needs in the surface mounting of components onto printed circuit boards.

PRINCIPAL PRODUCTS

Chemical Vapor Deposition (CVD) – is a process which passes a gaseous compound over a target material surface that is heated to such a degree that the compound decomposes and deposits a desired layer onto substrate material. The process is accomplished by combining appropriate gases in a reaction chamber, of the kind produced by the Company, at elevated temperatures (typically 300 - 1500 degrees Celsius). The Company’s Chemical Vapor Deposition Systems are complete and include all necessary instrumentation, subsystems and components. The systems include e mass flow controllers, bellows valves, stainless steel lines and fittings. The Company provides such standard systems and also specifically engineered products for particular customer applications. Some of the standard systems offered by the Company are for Silicon, Silicon-Germanium, Silicon Dioxide, Silicon Nitride, Polysilicon, Liquid Phase Epitaxial, and Metalorganic Chemical Vapor Deposition.

The Company’s CVD systems are available in a variety of models that can be used in production and laboratory research. All models can be offered with total system automation, a microprocessor control system, by which the user can measure, predict and regulate gas flow, temperature, pressure and chemical reaction rates, thus controlling the process in order to enhance the quality of the materials produced. The Company’s standard microprocessor control system is extremely versatile and capable of supporting the Company’s complete product line and most custom system requirements. The Company's CVD systems range in price from $100,000 to $2,500,000.

Rapid Thermal Processing (RTP) - are used to heat semiconductor materials to elevated temperatures of 1000 degrees Celsius at rapid rates of up to 200 degrees Celsius per second. The Company's RTP systems are offered for implant activation, oxidation, silicide formation and many other processes. The Company offers system that can operate both at atmospheric or reduced pressures. A specific model of the Company's RTP system is used for Thermal Desorption Spectroscopy which allows the semiconductor process engineer the ability to analyze the deposited films between the many process steps used in the complex fabrication process. The Company's RTP systems generally range in price from $75,000 to $350,000.

Annealing and Diffusion Furnaces - are used for diffusion, oxidation, implant anneal, solder reflow and other processes. The systems are normally operated at atmospheric pressure with gaseous atmospheres related to the process. An optional feature of the system allows for the heating element to be moved away from the process chamber allowing the wafers to rapidly cool or be heated in a controlled environment. Our cascade temperature control system enables more precise control of the wafers. The systems are equipped with an automatic process controller, permitting automatic process sequencing and monitoring with safety alarm provisions. The Company's Annealing and Diffusion Furnace systems generally range in price from $75,000 to $650,000.

Gas and Liquid Control Systems - standard and custom-designed gas and liquid control systems encompassing (1) gas cylinder storage cabinets, (2) custom gas and chemical delivery systems, (3) gas and liquid valve manifold boxes (VMB's) and (4) gas isolation boxes (GIB's) to provide safe storage and handling of pressurized gases and chemicals. System design allows for automatic or manual control from both a local and remote location. The Company's Gas and Liquid Control Systems generally range in price from $20,000 to $350,000.

Ultra High Purity Gas and Chemical Piping Delivery Systems – we provide field installation of ultra high purity piping systems within a semiconductor plant for the distribution of gases and chemicals to the assorted process tools. As part of the field service group we also offer repair service work on customer equipment.

Quartzware – we provide standard and custom fabricated quartzware used in the Company's equipment and other customer tools. The Company also provides repair and replacement of existing quartzware. Our customer quartzware spare parts requirements have grown substantially, especially for non-company related products.

Surface Mount Reflow Furnaces—we provide a line of standard and custom systems that are sold and serviced worldwide. There are in excess of 1500 systems that have been manufactured to date that bear the Research International name.

RESEARCH AND DEVELOPMENT

The Company continues its efforts on several research and development projects. We develop and customize equipment for numerous government, university and industry research laboratories around the world. Very often the research, design and development of custom equipment, which remains proprietary to the Company, yields new products.

INDUSTRY OVERVIEW

In 2001, the industry slowed down at an unprecedented rate. CVD believes that it has organized and structured itself with the four divisions to partially compensate for the cyclic nature and thereby smooth out the ups and downs. The CVD division deals with large capital equipment, which sometimes suffers in a down cycle. However, the CVD division also sells to research facilities and universities that are not normally influenced in a significant way in a down market. The SDC division supplies Gas and Chemical Delivery Systems, which can be impacted during a down market. However, the field service group within that division, usually adds significant field service work in a down market. The ECS division is usually impacted in a positive fashion in a down market, as customers look for alternative ways (refurbished equipment). And finally, the Research International division is a tangential manufacturing operation to further create a more balanced and diversified platform of products.

MARKETING

The Company's products are used in research and production applications by the semiconductor industry. The Company sells its products primarily to semiconductor manufacturers, institutions involved in electronic research such as universities, government and industrial laboratories and to electronic assembly manufacturers. During 2001, sales of the Company's products were made by a staff of four employees and five sales representatives, whose activities were supported, by a staff of nine application engineers. During 2001 the Company continued to work on expanding our product offerings.

The Company's Web Sites: www.cvdequipment.com; www.stainlessdesign.com; www.equipmentconsulting.com; www.researchintl.com continue to see increased traffic. The Company focuses on being in the top listings on many search engines, thus increasing the number of hits to our web sites. The Company continuously receives inquiries as a result of the web sites. All the Company's Web Sites were redesigned and were released in the early part of 2002.

The Company has expanded it's sales efforts considerably by utilizing sales representatives having offices in Santa Clara, CA, Chandler, AZ, Albuquerque, NM, Austin, TX, Dallas, TX, Taiwan and Korea. Additional representatives are expected to be added during the year 2002. We expect that this expansion will create a wider exposure to CVD and it's product lines.

The Company warrants its equipment for a period of twelve months after shipment and passes along any warranties from original manufacturers of components used in its products. The Company provides for its own equipment servicing with in-house field service personnel. Warrantee costs have been historically insignificant.

PATENTS, COPYRIGHTS AND LICENSE AGREEMENTS

The Company believes that while patents are useful, and will be used at times in the future, they are not critical or valuable in many cases on an individual basis. We believe the collective value of the intangible property of the Company is comprised of blueprints, specifications, technical processes, cumulative employee knowledge, experience, copyrights and patents.

In August 1997, the Company signed a 5-year license agreement with IBM to sell equipment using IBM's patented method for low temperature, low-pressure chemical vapor deposition of epitaxial layers (UHV/CVD).

During years 1999, 2000, and 2001 the Company has applied for several copyrights associated with the intellectual properties of the former Stainless Design Corporation. In addition, with the acquisition of the assets of the Research International, the Company is now the owner of several patents used in the surface mount technology business.

COMPETITION

The Company's business is subject to intense competition. The Company is aware of other competitors that offer a substantial number of products comparable to the Company's. Many of the Company's competitors (including customers who may elect to manufacture systems for internal use) have financial, marketing and other resources greater than the Company's. To date, the Company has been able to compete in markets that include these competitors, primarily on the basis of price, technical performance, quality and delivery.

CUSTOMERS

The Company sells to a wide range of customers. Sales to a single customer in a given year however can exceed 10%. In 2001, two customers represented approximately 8% and 10% of sales whereas in 2000, two customers represented approximately 10% each of sales. CVD's customers include many of the largest semiconductor, telecommunications, and computer companies in the world. Several of these major customers are as follows:

Advanced Technology Material Inc.	Agere Systems Inc.	Agilent Technologies
Air Products	Alpha Photonics	Alpha Industries
AMP Inc.	Applied Material	ASML
Astro Power	AXT Optoelectronics	Bechtel Bettis Inc.
B.F. Goodrich	BOC	Brookhaven National Labs
Bruckner	China Nat'l Electronics	Corning Inc.
Cree	Dow Corning	Hewlett Packard
IBM	Innosys Inc.	INO
ITT	JDS Uniphase	Kopin Corporation
Lockheed Martin	Lucent Technologies	Lumileds Lighting
MEMC Electronic Materials	Microchip Technology	NASA
Nat'l Institute of Standards	Nova Crystals	Osram
ON Semiconductor	Phillips Semiconductor	Raytheon
Samsung Electronics	SemiTool	STAR Center
Sensors Unlimited	Silicon Valley Group Inc.	Thermco Systems
Tokyo Electronics	Tyco Electronics	Veeco
Watkins Johnson Company		

In addition, CVD's customers include many prominent universities as follows:

Australian National University	Carnegie Mellon University	Case Western Reserve University
Cornell University	Indian Institute of Science	Louisiana Tech. University
Pennsylvania State University	Princeton University	Rensselaer Polytechnic Institute
Research Foundation of SUNY	Virginia Polytechnic Institute	University of Albany
University of Illinois	University of California	University of Maryland
University of Rochester	@Santa Barbara	Yale University
University of Wisconsin		

FOREIGN OPERATIONS

The Company's revenues derived from foreign exports were 15% and 3% in 2001 and 2000 respectively.

MANUFACTURING MATERIALS AND SUPPLIES

The Company does not manufacture many components used in producing the Company's products. They are purchased from unrelated third-party manufacturers of such equipment. The Company has no supply contracts covering these components. The Company is not dependent on a principal or major supplier and alternate suppliers are available. The Company does not use a large amount of raw or difficult to obtain materials that could cause a problem in production of our equipment.

The Company has its own fully equipped machine shop to fabricate in house; the most complex designed parts of our equipment. The Company recently purchased CNC machines for the machine shop, thus dramatically increasing efficiencies while significantly reducing costs in production. Similarly, the Company's own Quartz shop is capable of meeting our quartzware needs.

Quality control is a fundamental critical component in our processes. Materials procured on the outside and/or manufactured internally undergo a rigorous quality control process to ensure that the parts meet or exceed the most stringent specifications. All equipment, upon final assembly, undergoes a final series of complete testing to ensure product performance.

ORDER BACKLOG

As of December 31, 2001 the Company's order backlog was $1,389,004 compared to $5,508,802 on December 31, 2000. Included in the backlog are all accepted customer purchase orders. Order backlog is usually a reasonable management tool to indicate expected revenues and projected profits, however, it does not provide an assurance of future achievement or profits as order cancellations or delays are possible.

EMPLOYEES

As of December 31, 2001, the Company employed 76 full time personnel and 4 part time personnel of which 36 were in manufacturing, 15 in engineering (including research and development and efforts related to product improvement), 8 in field service, 5 in marketing and 16 in general management and administration.

The Company is not party to any collective bargaining agreement and has had no work stoppages. The Company believes that its employee relations are good.

INSURANCE

Because the Company's products are used in connection with explosive, flammable, corrosive and toxic gases, there are potential exposures to personal injury as well as property damage, particularly if operated without regard to the design limits of the systems and components.

The Company endeavors to minimize its product liability exposure by engineering safety devices for its products, carefully monitoring incidents involving its products to determine areas where safety improvements may be made, and training programs in connection with its products.

The Company believes that their insurance coverage is adequate. The following types of insurance coverage is carried by the Company:

- Product liability
- Property Contents
- General Liability
- Workers Compensation
- Transportation
- Directors and Officers
- Employee Benefits Liability
- Business Auto
- Umbrella

GOVERNMENT REGULATIONS

The Company knows of no government requirements for approval of the sale of their products or services except in some export cases. At that time we apply for the appropriate export license. As of December 31, 2001, there was no pending government approvals.

The Company knows of no existing or probable governmental regulations that would have a serious effect on our business.

Cost associated with compliance to environmental laws has not been significant to the Company's business.

FORWARD LOOKING STATEMENTS

Certain statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations constitute "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward looking statements. These forward looking statements were based on various factors and were derived utilizing numerous important assumptions and other important factors that could cause actual results to differ materially from those in the forward looking statements. Important assumptions and other factors that could cause actual results to differ materially from those in the forward looking statements, include, but are not limited to: competition in the Company's existing and potential future product lines of business; the Company's ability to obtain financing on acceptable terms if and when needed; uncertainty as to the Company's future profitability, uncertainty as to the future profitability of acquired businesses or product lines, uncertainty as to any future expansion of the Company. Other factors and assumptions not identified above were also involved in the derivation of these forward looking statements, and the failure of such assumptions to be realized as well as other factors may also cause actual results to differ materially from those projected. The Company assumes no obligation to update these forward looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward looking statements.

ITEM 2. DESCRIPTION OF PROPERTIES

On June 1, 1991, the Company relocated its operations to its present location in Ronkonkoma, New York, a 20,000 square foot facility. The Company signed a 5-year lease extension in 2000 that is scheduled to expire on July 31, 2006. Currently, the CVD division is located at this facility. Management feels that the property is adequately covered by insurance and is in good condition.

On April 29,1999, the Company purchased for $1,400,000, a 22,000 square foot facility, situated on 5 acres of land located at 1117 Kings Highway, Saugerties, NY 12477. Currently, the SDC and ECS divisions are located at this facility. Management feels the property is adequately covered by insurance and is in good condition.

On November 5, 2001, the Company contracted to purchase a 50,000 Sq. Ft. facility located in Ronkonkoma, NY. Closing occurred in March 2002. The Research International division is located in this new facility. During the third quarter of 2002, the Company expects to relocate operations from the existing 20,000 Sq. Ft. Ronkonkoma facility, to the new location

ITEM 3. LEGAL PROCEEDINGS

On September 24,1999 the Company was named in a lawsuit. The nature of this legal proceeding focused on the intellectual property obtained during the purchase of assets of Stainless Design Corporation. On November 10, 1999, the Company responded with a counterclaim. It is legal counsels' belief that the lawsuit against CVD is without merit and that our counter-suit will be successful. The Company considers its potential exposure to be negligible and covered by insurance.

On October 27, 1999, the Company initiated a lawsuit against a customer upon certain outstanding bills. The Company was awarded a judgement of $48,452 that covers the amount owed. However, the customer filed for bankruptcy protection and the customer's assets are in the process of being liquidated to help satisfy all creditors. In 2001, all the assets of the customer were liquidated and used to partially pay administrative fees. There were no residual assets for the creditors. This item is not considered to be material in nature.

On January 26, 2000, the Company initiated a lawsuit against a customer upon certain outstanding bills. The customer responded with a counterclaim that legal counsel believes to be without merit. This action is still pending and is not considered to be material in nature.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

A shareholder's meeting was held in the third quarter of 2001 for the primary purpose of re-electing directors and approving the selection of our outside auditing firm.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

PRINCIPAL MARKET

The stock has been traded on the AMEX under the symbol CVV since June 2001. Prior to June 2001, the stock was traded on the OTC Bulletin Board under the symbol of CVDE.

STOCK PRICE INFORMATION

The Company's common stock first began to be publicly traded on September 11, 1985 and prior to that date the Company was privately held. The following chart sets forth the high and low closing bid price of the Common Stock for the indicated periods.

Period	High	Low
January 1, 2000 through March 31, 2000	3.750	0.875
April 1, 2000 through June 30, 2000	2.750	1.625
July 1, 2000 through September 30, 2000	5.375	2.000
October 1, 2000 through December 31, 2000	5.000	2.188
January 1, 2001 through March 31, 2001	5.063	3.500
April 1, 2001 through June 30, 2001	4.250	3.190
July 1, 2001 through September 30, 2001	3.590	2.080
October 1, 2001 through December 31, 2001	3.890	2.050

The chart reflects inter-dealer prices, without retail mark-up, markdown, or commission and does not represent actual transactions.

DIVIDENDS

The Company paid no cash dividends during the period, nor does the Company expect to pay a cash dividend in the near future. The Company's policy has been to utilize cash in growing and expanding the business.

APPROXIMATE NUMBER OF HOLDERS OF COMMON STOCK

The number of holders of record of the Company's Common Stock as of March 1, 2002 was approximately 613.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

2001 COMPARED TO 2000

The difference in 2001 financial data when compared to 2000 is mainly attributed to the growth of the CVD and SDC divisions and the start-up of the Research International division. In 2002 we expect to see continued growth for all four divisions.

New orders in 2001 totaled $2.1 million for CVD and $3.8 million for SDC and $0.6 million for ECS for a total of $6.5 million, which was 58% lower than 2000's level of new orders of $15.3 million. The revenues produced a net profit of $874,142. Diluted net earnings per share were $.27 in 2001 compared to $.29 in 2000. In the past the Company has generally manufactured customized equipment. In 2001 the Company worked on further developing a line of standard products to supplement to our custom systems and we began shipping some of these products in 2001.

REVENUE

An increase in volume resulted in revenue for the year being $10,839,993, which was a 14.1% increase from 2000 revenues of $9,504,181.

The type of sales in 2001 was similar to those of 2000. The Company shipped approximately 12% to government associated entities, 19% to major colleges and universities, 3% to research laboratories and another 66% was shipped to significant Fortune 500 industrial companies.

COSTS AND EXPENSES

In 2001, cost of revenues as a percentage of revenues increased to 64% from 61% in 2000. The main reason for the 3% increase in cost of revenues as a percentage of sales was an increase in payroll expenses. The Company averaged 79 employees in 2001 compared to 63 employees in 2000. The actual cost of revenues increased from $5,809,275 in 2000 to $6,940,080 in 2001, an increase of $1,130,805. Of this increase, $484,787 is attributable to increased purchases of material, and $514,731 to increases in salaries.

Selling and shipping expense was higher by $109,236 in 2001 compared to 2000. This mainly resulted from a $100,075 increase in salaries.

General and Administrative expenses rose by $423,861 in 2001 compared to 2000. This resulted mainly from a $259,423 increase in salaries and an increase in legal fees of $165,015.

Interest expense decreased by $5,818 from 2000 to 2001 as the Company's average outstanding debt on the Saugerties facility decreased.

LIQUIDITY AND CAPITAL RESOURCES

By year-end 2001, the Company's cash position increased to $2,361,150 from $600,621 at the beginning of the year. In addition to the year end cash position, there were significant cash layouts during the year, $400,000 for the acquisition of Research International, $257,500 for the acquisition of the new building, and $386,374 for Federal taxes.

In 2001, accounts receivable, net of the allowance, decreased to $1,212,237 from $2,002,540 in 2000 while inventory increased to $829,040 from $454,898. The increase in inventory was a result of the acquisition of the Research International division where $650,000 was due to inventory. The decrease in receivables from 2001 to 2000 was attributable to timing of customer payments and billings. The increase in inventory in 2001 was mainly due to a decrease in work in process of $117,847, an increase in raw materials of $308,175 and an increase in finished goods of $183,814.

In 2002, we expect to have sufficient cash flow from operations and do not anticipate the need to raise additional funds for the normal course of business.

2000 COMPARED TO 1999

The difference in 2000 financial data when compared to 1999 is mainly attributed to the growth of the CVD and SDC divisions and the start-up of the ECS division. In 2001 we expect to see continued growth for all three divisions.

New orders in 2000 totaled $9.5 million for CVD and $5.6 million for SDC and $0.2 million for ECS for a total of $15.3 million, which was 155% higher than 1999's level of new orders of $6.0 million. The revenues produced a net profit of $928,679. Diluted net earnings per share were $.29 in 2000 compared to $.05 in 1999. In the past the Company has generally manufactured customized equipment. In 1999 the Company worked on developing a line of standard products as a supplement to our custom systems and began shipping some of these products in 2000. In September 1997, the Company opened a Web site, www.cvdequipment.com to support the Company's marketing program. In May 1999 the Company opened its second web site, www.stainlessdesign.com and in November of 1999 a third wed site was added, www.equipmentconsulting.com.

REVENUE

An increase in volume resulted in revenue for the year being $9,504,181, which was a 79.5% increase from 1999 revenues of $5,295,859.

The type of sales in 2000 were similar to those of 1999. The Company shipped approximately 1% to government associated entities, 6% to major colleges and universities, 5% to research laboratories and another 88% was shipped to significant Fortune 500 industrial companies.

COSTS AND EXPENSES

In 2000, cost of revenues as a percentage of revenues decreased to 61% from 65% in 1999. The main reason for the 4% decrease in cost of revenues as a percentage of sales was a decrease in payroll expenses. The Company averaged 63 employees in 2000 compared to 51 employees in 1999. The actual cost of revenues increased from $3,453,307 in 1999 to $5,809,275 in 2000, an increase of $2,355,968. Of this increase, $1,497,618 is attributable to increased purchases of material, and $662,721 to increases in salaries.

Selling and shipping expense was lower by $186 in 2000 compared to 1999. This mainly resulted from a $96,150 increase in commissions, a $22,254 increase in freight expense, which was offset by a decrease of $105,433 in salaries, and $11,820 decrease in travel.

General and Administrative expenses rose by $418,448 in 2000 compared to 1999. This resulted mainly from a $182,071 increase in salaries and employee benefits, an increase in depreciation of $31,025, an increase in legal fees of $112,070, an increase of $39,012 in shareholders' expense and bad debt of $55,096.

Interest expense increased by $16,816 from 1999 to 2000 as the Company's average outstanding debt increased in 2000 as a result of a mortgage on the SDC facility.

LIQUIDITY AND CAPITAL RESOURCES

By year-end 2000, the Company's cash position increased to $600,621 from $91,714 at the beginning of the year. During year 2000, the Company sold the remaining $330,500 worth of securities it held at the end of 1999.

In 2000, accounts receivable, net of the allowance, increased to $2,002,540 from $1,019,771 in 1999 while inventory decreased to $454,898 from $713,762. The increase in receivables from 2000 to 1999 is associated with an increase in revenues. The decrease in inventory in 2000 was mainly due to a decrease in work in process of $100,261 and a decrease in finished goods of $120,148.

In 2001, we expect to have sufficient cash flow from operations and do not anticipate the need to raise additional funds.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CVD EQUIPMENT CORPORATION
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FORM 10-KSB ITEM 7

Years ended December 31, 2001 and 2000

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

A L B R E C H T , V I G G I A N O , Z U R E C K
& C O M P A N Y , P . C .

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
CVD Equipment Corporation
Ronkonkoma, New York

We have audited the accompanying consolidated balance sheets of CVD Equipment Corporation and Subsidiary (the Company) as of December 31, 2001 and 2000, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CVD Equipment Corporation and Subsidiary as of December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended, in conformity with auditing standards generally accepted in the United States of America.

/S/ Albrecht, Viggiano, Zureck & Company, P.C.

Hauppauge, New York
February 15, 2002, except for Note 16, as to which the date is March 7, 2002

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2001 and 2000

	2001	2000
ASSETS		
Current Assets		
Cash and cash equivalents	$ 2,361,150	$ 600,621
Accounts receivable, net	1,212,237	2,002,540
Costs and estimated earnings in excess of billings on uncompleted contracts	358,022	1,483,459
Inventories	829,040	454,898
Other current assets	20,269	32,155
Total Current Assets	4,780,718	4,573,673
Property, Plant and Equipment, net	2,060,502	2,258,512
Deferred Income Ta es	268,623	306,623
Other Assets	439,067	148,130
Total Assets	$ 7,548,910	$ 7,286,938
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts payable	$ 153,332	$ 607,777
Accrued expenses	378,231	685,839
Billings in excess of costs on uncompleted contracts	-0-	146,613
Current maturities of long-term debt	365,790	18,135
Total Current Liabilities	897,353	1,458,364
Long-Term Debt, net of current portion	864,100	959,570
	1,761,453	2,417,934
Commitments and Contingencies		
Stockholders Equity		
Common stock - $0.01 par value – 10,000,000 shares authorized; 3,032,325 and 3,000,750 shares issued and outstanding at December 31, 2001 and 2000, respectively	30,323	30,008
Additional paid-in capital	2,892,416	2,848,420
Retained earnings	2,864,718	1,990,576
Total Stockholders’ Equity	5,787,457	4,869,004
Total Liabilities and Stockholders’ Equity	$ 7,548,910	$ 7,286,938

See notes to consolidated financial statements.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2001 and 2000

	2001	2000
Revenues		
Revenue on completed contracts	$ 9,009,323	$ 6,828,603
Revenue on uncompleted contracts	1,830,670	2,675,578
Total Revenues	10,839,993	9,504,181
Costs of Revenues		
Costs on completed contracts	6,060,054	4,479,213
Costs on uncompleted contracts	880,026	1,330,062
Total Costs of Revenues	6,940,080	5,809,275
Gross Profit	3,899,913	3,694,906
Operating E penses		
Selling and shipping	675,247	566,011
General and administrative	2,150,276	1,726,415
Total Operating Expenses	2,825,523	2,292,426
	1,074,390	1,402,480
Other Income E pense		
Interest income	52,644	43,667
Interest expense	(64,674)	(70,492)
Gain on sale of fixed assets	37,666	-0-
Loss on sale of securities	-0-	(19,500)
Other income	6,968	18,014
Total Other Income (Expense)	32,604	(28,311)
Income Before Taxes	1,106,994	1,374,169
Income Ta Provision	232,852	445,490
Net Income	$ 874,142	$ 928,679
Earnings Per Share		
Basic	$ 0.29	$ 0.31
Diluted	$ 0.27	$ 0.29
Weighted Average Shares		
Basic	3,014,744	2,963,972
Diluted	3,263,395	3,183,387

See notes to consolidated financial statements.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended December 31, 2001 and 2000

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
Balance as of December 31, 1999	$ 29,188	$ 2,838,990	$ (35,510)	$ 1,061,897	$ 3,894,565
Net income				928,679	928,679
Total comprehensive income			35,510		35,510
Compensatory stock Options	820	9,430			10,250
Balance as of December 31, 2000	$ 30,008	$ 2,848,420	$ -0-	$ 1,990,576	$ 4,869,004
Net income				874,142	874,142
Compensatory stock Options	315	43,996	-0-	-0-	44,311
Balance as of December 31, 2001	$ 30,323	$ 2,892,416	$ -0-	$ 2,864,718	$ 5,787,457

See notes to consolidated financial statements.

CVD EQUIPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2001 and 2000

	2001	2000
Cash Flows from Operating Activities		
Net income	$ 874,142	$ 928,679
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred tax provision	38,000	42,145
Depreciation and amortization	265,671	269,450
Gain on sale of fixed assets	(37,666)	-0-
Bad debt provision	4,538	21,966
Loss on sale of securities	-0-	19,500
(Increase) decrease in:		
Accounts receivable	785,765	(1,004,735)
Costs and estimated earnings in excess of billings on uncompleted contracts	1,125,437	(993,245)
Inventory	(24,142)	258,864
Prepaid income taxes	-0-	12,812
Other current assets	11,886	7,232
Other assets	(339,426)	(16,895)
Increase (decrease) in:		
Accounts payable	(454,445)	436,639
Accrued expenses	(307,608)	401,705
Billings in excess of costs on uncompleted contracts	(146,613)	79,109
Net Cash Provided By Operating Activities	1,795,539	463,226
Cash Flows from Investing Activities		
Capital expenditures	(126,781)	(277,286)
Proceeds from sale of securities	-0-	330,500
Proceeds from sale of fixed assets	145,275	-0-
Net Cash Provided In Investing Activities	18,494	53,214
Cash Flows from Financing Activities		
Proceeds from the exercise of options	44,311	10,250
Payments of long-term debt	(97,815)	(17,783)
Net Cash Used By Financing Activities	(53,504)	(7,533)
Net Increase in Cash and Cash Equivalents	1,760,529	508,907
Cash and Cash Equivalents at Beginning of Year	600,621	91,714
Cash and Cash Equivalents at End of Year	$ 2,361,150	$ 600,621

See notes to consolidated financial statements.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001 and 2000

Note 1 - Summary of Significant Accounting Policies

Description of Business

CVD Equipment Corporation and Subsidiary (the Company), a New York corporation, was organized and commenced operations in October 1982. Principal business activities include the manufacturing of chemical vapor deposition equipment, customized gas control systems, and hydrogen annealing and brazing furnaces, all of which are used primarily to produce semiconductors and other electronic components. The Company engages in business throughout the United States and the world.

Basis of Consolidation

The consolidated financial statements include the accounts of CVD Equipment Corporation and its wholly-owned subsidiary. In December 1998, a subsidiary, Stainless Design Concepts, Ltd., was formed as a New York corporation. In April 1999, this subsidiary was merged into CVD Equipment Corporation. The Company has one inactive subsidiary, CVD Materials Corporation as of December 31, 2001. All significant intercompany accounts and transactions have been eliminated in consolidation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used when accounting for certain items such as long-term contracts, allowance for doubtful accounts, depreciation and amortization, taxes and warranties.

Comprehensive Income

In 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 130, . Comprehensive income consists of net income and other comprehensive income; the latter includes unrealized gains and losses on available-for-sale securities and is presented in the Consolidated Statements of Stockholders' Equity. The adoption of SFAS No. 130 had no effect on stockholders' equity.

Inventories

Inventories are valued at the lower of cost or market. The Company uses a cost system which approximates the first-in, first-out method.

Reclassifications

Certain items have been reclassified in the 2000 financial statements to conform to the 2001 presentation. These reclassifications have no effect on the net income previously reported.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001 and 2000

Note 1 - Summary of Significant Accounting Policies (continued)

Securities Available-For-Sale

The Company evaluates its investment policies consistent with Financial Accounting Standards Board Statement (SFAS) No. 115, . Accordingly, investment securities are classified as available-for-sale securities and carried at fair value, with temporary unrealized gains and losses reported in accumulated other comprehensive income as a separate component of stockholders' equity. Realized gains and losses on sales of securities classified as available-for-sale are determined using the specific identification method.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. A valuation allowance is not considered necessary by management, since it is more likely than not that the deferred tax asset will be realized. An allowance may be necessary in the future based on changes in economic conditions.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. The cost of certain labor and overhead which is expected to benefit future periods, has been capitalized and amortized. Depreciation and amortization are computed by the straight-line method for financial purposes over the estimated useful lives of the assets.

Software Capitalization

In 1998, the Company adopted Statement of Position 98-1, . This standard requires certain direct development costs associated with internal-use software to be capitalized including external direct costs of material and services and payroll costs for employees devoting time to the software projects. These costs totaled $10,886 and $27,853 for the years ended December 31, 2001 and 2000, respectively, and are included in Other Assets. All software is amortized straight-line over three years. Amortization expense related to software totaled $26,391 and $20,731 for the years ended December 31, 2001 and 2000, respectively.

Intangible Assets

In December 1998, the Company paid $15,000 for the right to use the trade name, "Stainless Design". This amount is included in Other Assets and amortized straight-line over ten years. Also in December 1998, the Company purchased engineering drawings for $25,000, which is included in Other Assets and amortized straight-line over 15 years. As of December 31, 1999 and 1998, the Company recorded in Other Assets a license agreement costing $10,000. The license agreement is being amortized over its life of 5 years. During 2001, the Company acquired intellectual property in connection with the acquisition of the Research International division. The cost of the intellectual property was $50,000 and is being amortized over fifteen years on a straight-line basis. Amortization expense recorded by the Company in 2001 and 2000 for these intangibles totaled $5,167.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001 and 2000

Note 1 - Summary of Significant Accounting Policies (continued)

Revenue and Income Recognition

In December 1999, the SEC released SAB No. 101, "Revenue Recognition in Financial Statements", providing the staff's views in applying accounting principles generally accepted in the United States to certain revenue recognition issues. The Company adopted SAB No. 101, as amended in the fourth quarter of 2000 as required. The adoption of SAB No. 101 did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

The Company recognizes revenues and income using the percentage-of-completion method for complex major products while revenues from other products are recorded when such products are accepted and shipped. Profits on contracts for complex major products are recorded on the basis of the Company's estimates of the percentage-of-completion of individual contracts, commencing when progress reaches a point where experience is sufficient to estimate final results with reasonable accuracy. Under this method, revenues are recognized based on costs incurred to date compared with total estimated costs.

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," represents revenues recognized in excess of amounts billed.

The liability, "Billings in excess of costs on uncompleted contracts," represents amounts billed in excess of revenues earned.

Bad Debts

Accounts receivable are presented net of an allowance for doubtful accounts of $26,504 and $21,966 as of December 31, 2001 and 2000, respectively. The allowance is based on prior experience and management's evaluation of the collectibility of accounts receivable. Management believes the allowance is adequate. However, further additions may be necessary based on changes in economic conditions.

Product Warranty

The Company records warranty costs as incurred and does not provide for possible future costs. Management estimates such costs not to be material based on prior experience. However, it is reasonably possible that this estimate may change in the future.

Advertising Costs

The Company expenses advertising costs which are not expected to benefit future periods. Advertising expenses included in selling and shipping expenses were $18,217 and $1,938 in 2001 and 2000, respectively. As of December 31, 2001 and 2000, the Company's capitalized advertising costs included in Other Assets totaled $63,849 and $62,681, respectively, to develop a web site and to print brochures expected to be used in the future. Capitalized advertising costs are amortized straight-line over three years. Amortization expense related to advertising costs totaled $16,586 and $19,855 in 2001 and 2000, respectively.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001 and 2000

Note 1 - Summary of Significant Accounting Policies (continued)

Earnings Per Share

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, . This pronouncement requires the reporting of two net income per share figures: basic net income per share and diluted net income per share. Basic net income is calculated by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed by dividing net income by the sum of the weighted-average number of common shares outstanding during the period plus the dilutive effect of shares issuable through stock options.

A reconciliation of the weighted-average number of common shares outstanding used in the calculations of basic and diluted earnings per share follows.

	2001		2000	
	Basic	Dilutive	Basic	Dilutive
Weighted-average number of common shares outstanding	3,014,744	3,014,744	2,963,972	2,963,972
Dilutive options to purchase common shares outstanding		248,651		219,415
		3,263,395		3,183,387

The effects of 3,500 options granted in 2000 at an exercise price $3.25 were not included in the computation of diluted earnings per share for the year ended December 31, 2000 because they are anti-dilutive.

Cash and Cash Equivalents

The Company considers all highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Company places most of temporary cash investments with financial institutions and normally exceeds the FDIC limit. The Company has not experienced any losses to date resulting from this policy.

The Company performs ongoing credit evaluations of its customers' financial position and the risk with respect to trade receivables is further mitigated by the fact that the Company's customer base is diversified.

CVD EQUIPMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001 and 2000

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued expenses, approximate fair value due to the relatively short maturity of these instruments. The fair value of securities available-for-sale is estimated based on quoted market prices. The carrying value of long-term debt approximates fair value based on borrowing rates currently available for loans with similar terms and maturities.

Stock-Based Compensation

The Company accounts for stock options as prescribed by Accounting Principles Board ("APB") Opinion No. 25 and includes pro forma information in the stock-based compensation footnote, as permitted by Financial Accounting Standards Board ("FASB") Statement No. 123, ("SFAS 123"). Accordingly, no compensation cost is recognized for stock options granted in 2001 and 2000 since the option exercise price is not less than the market price of the underlying stock on the date of grant. In 2000, compensation cost is recognized for stock options granted to Directors before December 15, 1999 based upon the fair market value of the options granted. In 2000, compensation cost is also recognized for stock options granted to the President before December 15, 1999 at an exercise price less than the market price of the underlying stock on the date of the grant. In March 2000, the FASB issued FASB Interpretation No. 44, "Accounting For Certain Transactions Involving Stock-an interpretation of APB Opinion No. 25" ("FIN 44"). FIN 44 clarifies the application of APB No. 25 and among other issues clarifies the definition of an employee for purposes of applying APB Opinion No. 25. The Company adopted FIN 44 in the first quarter of 2001 with no material effect on the Company's consolidated financial position, results of operations or cash flows. As discussed in Note 10, there were no options granted during 2001.

Recent Accounting Pronouncements

In July 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets". SFAS No. 141 provides new guidance on the accounting for a business combination at the date a business combination is completed. Specifically, it requires use of the purchase method of accounting for all business combinations initiated after June 30, 2001, thereby eliminating use of the pooling-of-interest method. SFAS No. 142 establishes new guidance on how to account for goodwill and intangible assets after a business combination is completed. Among other things, it requires that goodwill and certain other intangible assets will no longer be amortized and will be tested for impairment at least annually and written down only when impaired. This statement will apply to existing goodwill and intangible assets, beginning with fiscal years starting after December 15, 2001. Early adoption of the statement will be permitted for companies with a fiscal year beginning after March 15, 2001, for which the first quarter financial statements have not been issued. The Company is currently evaluating these statements but does not expect that they will have a material impact on the Company's financial position, results of operations, or cash flows.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001 and 2000

Note 1 - Summary of Significant Accounting Policies (continued)

Shipping and Handling

It is the Company's policy to include freight in total sales. The amount included in sales was $16,480 and $15,957 for the years ended December 31, 2001 and 2000, respectively. Included in Selling and Shipping is $68,670 and $50,281 for shipping and handling costs for 2001 and 2000, respectively.

Note 2- Supplemental Cash Flow Information

	2001	2000
Cash paid (received) during the year for:		
Income taxes, net of refunds	$ 419,831	$ (794)
Interest	64,674	70,492
Noncash operating and financing:		
Inventory received as a part of Research International acquisition	$ (650,000)	$ -0-
Less: Note issued for inventory	350,000	-0-
Net Cash Used	300,000	-0-

Note 3 - Uncompleted Contracts

Costs, estimated earnings, and billings on uncompleted contracts are summarized as follows:

	2001	2000
Costs incurred on uncompleted contracts	$ 880,026	$ 1,330,062
Estimated earnings	950,644	1,633,470
	1,830,670	2,963,532
Billings to date	(1,472,648)	(1,626,686)
	$ 358,022	$ 1,336,846
Included in accompanying balance sheets under the following captions:		
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 358,022	$ 1,483,459
Billings in excess of costs and estimated earnings on uncompleted contracts	-0-	(146,613)
	$ 358,022	$ 1,336,846

CVD EQUIPMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001 and 2000

Note 4 - Securities Available-For-Sale

At December 31, 1999, corporate preferred bonds have been categorized as available-for-sale and stated at fair value. The Company recorded an unrealized holding loss of $51,211 for the year December 31, 1999, which is shown net of a deferred tax asset of $17,490 in accumulated other comprehensive income. All bonds were sold during 2000.

Note 5 - Inventory

Inventories consist of the following:

	2001	2000
Raw materials	$ 388,794	$ 80,619
Work-in-process	68,184	186,031
Finished goods	372,062	188,248
	$ 829,040	$ 454,898

Note 6 - Property, Plant and Equipment

Major classes of property, plant and equipment consist of the following:

	2001	2000
Land	$ 60,000	$ 61,620
Buildings	1,353,964	1,463,551
Machinery and equipment	894,945	819,523
Capitalized labor and overhead	316,131	753,239
Furniture and fixtures	156,116	157,472
Computer equipment	161,374	149,001
Transportation equipment	99,266	99,266
Leasehold improvements	85,027	47,222
	3,126,823	3,550,894
Accumulated depreciation and amortization	(1,066,321)	(1,292,382)
	$ 2,060,502	$ 2,258,512
Depreciation and amortization expense	$ 217,182	$ 223,418

Note 7 - Short-Term Borrowings

The Company has a line of credit facility with a bank which allows the Company to borrow up to $650,000 until June 1, 2002. Interest is payable on any unpaid principal balance at the bank's prime rate plus 0.75%. As of December 31, 2001 and 2000, no amounts were outstanding on this facility. The Company has an additional $350,000 credit line that is utilized as a letter of credit to secure the $350,000 debt to Research Inc. (Note 8). Borrowings are collateralized by the Company's assets.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001 and 2000

Note 8 - Long-Term Debt

Long-term debt consists of the following:

	2001	2000
KIDCO REALTY CORP. $900,000 purchase money mortgage secured by real property, building and improvements in Saugerties, New York; payable in equal monthly installments of $5,988, including interest at 7% per annum; entire principal comes due on May 1, 2009.	$ 874,129	$ 884,399
THE DIME SAVINGS BANK $86,400 note payable secured by real property and condominium unit in Saugerties, New York; payable in equal monthly installments of $846, including interest at 8.29% per annum until August 2004, when interest converts to a fixed rate equal to the 5-year United States Treasury Bill rate plus 2.86%; final payment made in 2001.	-0-	82,112
NISSAN MOTOR ACCEPTANCE CORP. Collateralized by a lien on the Company's automobile; payable in 60 monthly installments of $495 including interest of 5.9% per annum; final payment due February 5, 2003.	5,761	11,194
RESEARCH INC. $350,000 note payable for the acquisition of assets from Research Inc. to be paid in full by November 2002 at 5.5% interest. Amount to be reduced by any service warranty work provided by CVD Equipment Corp.	350,000	-0-
	1,229,890	977,705
Less: Current maturities	365,790	18,135
	$ 864,100	$ 959,570

Future maturities of long-term debt are as follows:

2002	$ 365,790
2003	12,793
2004	12,662
2005	13,578
2006	14,559
2007 to maturity	810,508
	$ 1,229,890

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001 and 2000

Note 9 - Income Ta es

The provision (benefit) for income taxes include the following:

	2001	2000
Current:		
Federal	$ 186,926	$ 375,268
State	7,926	28,077
Total Current Provision	194,852	403,345
Deferred:		
Federal	158,246	28,793
State	(120,246)	13,352
Total Deferred Provision	38,000	42,145
	$ 232,852	$ 445,490

The Company has a state investment tax credit carryforward of $273,057 that may be offset against future state tax liabilities through the year 2016 and other state tax credits totaling $186,222 which may be carried forward indefinitely.

The difference between the provision for income taxes at the Company's effective income tax rate and the federal statutory rate of 34% is as follows:

	2001	2000
Income taxes at statutory rate	$ 376,377	$ 467,217
State taxes	7,926	21,512
Investment tax credits and other	(151,451)	(43,239)
Provision for Income Taxes	$ 232,852	$ 445,490

The tax effects of temporary differences giving rise to significant portions of deferred taxes are as follows:

	2001	2000
Allowance for doubtful accounts	$ 10,393	$ 8,566
Inventory capitalization	21,312	17,081
Deferred revenue	(167,116)	-0-
Compensatory stock options	-0-	523
Depreciation and amortization	(66,652)	(35,058)
Investment tax credit	460,067	315,511
Other	10,619	-0-
Deferred Tax Asset	$ 268,623	$ 306,623

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001 and 2000

Note 10 - Stock-Based Compensation

On June 15, 1989, the Company instituted a non-qualified stock option plan (the "Plan"). In connection therewith, 700,000 shares of the Company's common stock are reserved for issuance pursuant to options that may be granted under the Plan through June 3, 2004. On June 3, 1996, the Company issued 84,000 options which expire ten years from the date of grant. None of these options were exercisable until June 3, 1999. The option price was less than the fair market value per share on the date the 1996 options were granted. On April 15, 1998, 140,000 options were granted to employees under this Plan. Options granted in 1998 vest straight-line over a four-year period following the date of grant and expire five years after the date of grant. On July 16, 1999, 52,500 options were granted to employees under this Plan. Options granted in 1999 vest incrementally over a four-year period following the date of grant and expire seven years after the date of grant. On February 2, 2000, 242,000 options were granted to employees under this plan. On May 7, 2000 and August 8, 2000, a total of 80,000 options were granted to employees. On October 26, 2000, 3,500 options were granted to employees. All options vest over a four-year period. All options granted in 2000 expire seven years after the date of grant. The option price for options granted in 1999 and 2000 is an amount per share of not less than the fair market value per share on the date the option is granted. In July 2001, the shareholders approved a non-qualified stock option plan covering key employees, officers, directors and other persons that maybe considered as service providers to the Company. Options will be awarded by the Board of Directors or by a committee appointed by the board. Under the plan, an aggregate of 300,000 shares of common stock, $.01 par value of Company are reserved for issuance or transfer upon the exercise of options which are granted. Unless otherwise provided in the option agreement granted under the plan shall become exercisable in 25% installments commencing one year from the anniversary date of the grant. The purchase price of the Common Stock under each option shall be no lower than the average bid price per share, calculated on a monthly basis, that the Common Stock (as reported by NASDAQ) traded during the calendar year immediately preceding the year in which the option is granted. The stock options generally expire five years after the date of grant. The stock option plan shall terminate on July 22, 2011. No options have been granted under the July 2001 plan.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001 and 2000

Note 10 - Stock-Based Compensation Continued)

A summary of stock option activity related to the Company's Plan is as follows:

	Beginning Balance Outstanding	Granted During Period	Exercised During Period	Canceled During Period	Ending Balance Outstanding	Exercisable
Year ended December 31, 2000						
Number of shares	266,500	325,500	82,000	-0-	510,000	72,250
Weighted average exercise price per share	$ 0.97	$ 0.67	$ 0.125	$ -0-	$ 1.65	$ 1.43
Year ended December 31, 2001						
Number of shares	510,000	-0-	31,575	-0-	478,425	130,749
Weighted average exercise price per share	$ 1.65	$ -0-	$ 1.40	$ -0-	$ 1.67	$ 1.55

The weighted-average per share fair value of the options granted during 2000 was estimated as $1.37 on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2000
Risk-free interest rate	5.74 - 6.52%
Expected option life	7 years
Expected volatility	80%
Expected dividend yield	0%

There were no options issued during 2001.

The following table summarizes information about the options at December 31, 2001

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercisable Price	Number Exercisable	Weighted Average Exercisable Price
$0.13 - $1.00	51,000	4.55 years	$ 1.00	15,300	$ 1.00
$1.51 - $1.75	343,925	3.96 years	$ 1.68	101,099	$ 1.57
$2.00 - $2.75	80,000	5.47 years	$ 2.00	14,000	$ 2.00
$3.00 - $3.25	3,500	5.50 years	$ 3.25	350	$ 3.25

Had compensation expense for the Company's stock-based compensation plan been determined consistent with SFAS 123, net income and earnings per share for the year

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001 and 2000

Note 10 - Stock-Based Compensation Continued)

ended December 31, 2000 would be decreased to the pro forma amounts indicated below:

		2000
Net income		
As reported	$	928,679
Pro forma		895,118
Earnings per share – basic		
As reported	$	0.31
Pro forma		0.30
Earnings per share – diluted		
As reported	$	0.29
Pro forma		0.28

Note 11 - 401 k Plan

On August 1, 1998, the Company adopted a 401(k) Plan for the benefit of all eligible employees. All employees as of the effective date of the 401(k) Plan became eligible. An employee who became employed after August 1, 1998, would become a participant after three months of continuous service.

Participants may elect to contribute from their compensation any amount up to the maximum deferral allowed by the Internal Revenue Code. Employer contributions are optional. During the years ended December 31, 2001 and 2000, the Company incurred 401(k) administrative costs totaling $2,478 and $1,990 respectively. No employer contribution has been made for 2001 and 2000.

Note 12 - Concentration of Credit Risk

Significant Customers

The Company's sales encompass markets wherein the demands of any one customer may vary greatly due to changes in technology. In 2001, the Company had one customer, which represented approximately 10% of sales. This customer represented 19% of total billed and unbilled receivables at December 31, 2001. Another customer represented 25% of total billed and unbilled receivables at December 31, 2001. This customer represented an inmaterial percentage of sales in 2001. In 2000, the Company had two significant customers which each represented 10% of sales. No one customer was considered significant to total billed and unbilled receivables at December 31, 2000.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001 and 2000

Note 12 - Concentration of Credit Risk Continued

Export Sales

Export sales to unaffiliated customers represented approximately 15% and 3% of sales for the years ended December 31, 2001 and 2000, respectively. Export sales in 2001 and 2000 were primarily to customers in Asia. All contracts are denominated in U.S. dollars. The Company does not enter into any foreign exchange contracts.

Note 13 - Related Party Transactions

The general counsel for the Company is also a director. The Company incurred legal fees for his professional services of approximately $94,000 and $30,000 for the years ended December 31, 2001 and 2000, respectively. As of December 31, 2001 and 2000, the Company owed the general counsel $36,274 and $26,000, respectively.

Note 14 - Segment Reporting

In 1999, the Company adopted SFAS 131,
. As a result, Stainless Design Concepts ("SDC"), which was a subsidiary of the Company as of December 31, 1998, operated as a segment of the Company as of December 31, 1999. SDC is the Company's ultra-high purity manufacturing division in Saugerties, New York. In November 1999, a division called Equipment Consulting Services (ECS) was formed. Operations commenced in January 2000. ECS is the Company's equipment refurbishing division located in Saugerties, New York. During 2001, the Company created another division called Research International ("RI"); the new division is located at 1881 Lakeland Avenue, Ronkonkoma New York. RI is a manufacturer of Surface Mount Technology equipment. The accounting policies of SDC,ECS and RI are the same as those described in the summary of significant accounting policies (see Note 1). The Company evaluates performance based on several factors, of which the primary financial measure is earnings before taxes. The following table presents certain information regarding the Company's segments at December 31, 2001 and for the year then ended:

	CVD	SDC	ECS	RI	Elim.	Consol.
Assets	$6,038,553	$2,461,687	$ 380,407	$772,947	$(2,104,684)	$ 7,548,910
Revenues	$5,477,685	$4,784,149	$ 935,333	$ 31,327	$ (388,501)	$10,839,993
Interest income	51,039	1,605	-0-	-0-		52,644
Interest expense	515	64,159	-0-	-0-		64,674
Depreciation and amortization	119,271	140,822	1,993	3,585		265,671
Capital expenditures	17,144	21,832	33,205	54,600		126,781
Pretax earnings (loss)	912,943	505,312	(184,469)	(126,792)		1,106,994

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001 and 2000

Note 15 - Commitments and Contingencies

Leases

The Company rents its headquarters and operations in Ronkonkoma, New York under a lease expiring on July 31, 2006. Minimum future rental commitments are as follows:

Year ending December 31, 2002	$	144,000
2003		145,800
2004		150,170
2005		154,665
2006		91,777
	$	686,412

Rental expense under the above operating lease totaled $137,589 and $130,751 for 2001 and 2000, respectively.

Legal Proceedings

On September 24, 1999 the Company was named in a lawsuit. The nature of this legal proceeding focused on the intellectual property obtained during the purchase of assets of Stainless Design Corporation. On November 10,1999, the Company responded with a counterclaim. It is legal counsels' belief that the lawsuit against the Company is without merit. The Company considers its potential exposure to be negligible and/or covered by insurance.

Note 16- Subsequent Events

Purchase of Facility

On March 7, 2002, the Company purchased a 50,000 square foot facility in Ronkonkoma New York and will relocate from the existing 20,000 square foot facility. Included in Other Assets at December 31, 2001 is a $257,500 deposit on this facility. The total cost of the new facility will be approximately $3 million including approximately $1 million in renovations. The purchase and improvements will be financed, in part, with a $2.7 million mortgage which will be payable over 15 years at 5.67% per annum. The Company plans to sublease their existing facility.

INDEX TO SUPPLEMENTARY FINANCIAL SCHEDULES

A L B R E C H T , V I G G I A N O , Z U R E C K & C O M P A N Y , P . C .

CERTIFIED PUBLIC ACCOUNTANTS
25 SUFFOLK COURT
HAUPPAUGE, NY 11788
(631) 434-9500

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors and Stockholders
CVD Equipment Corporation
Ronkonkoma, New York

We have audited and reported separately herein on the consolidated financial statements of CVD Equipment Corporation and subsidiary (the Company) as of and for the years ended December 31, 2001 and 2000.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of the Company taken as a whole. The supplementary information included in Form 10-KSB, Schedules II, III, IV, V and VI is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

/S/ Albrecht, Viggiano, Zureck & Company, P.C.

Hauppauge, New York
February 15, 2002, except for Note 16, as to which the date is March 7, 2002

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
FORM 10-KSB, SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
Years ended December 31, 2001 and 2000

Deducted from Assets	Balance at Beginning of Period	Additions: (1) Charged to Costs and Expenses	Additions: (2) Charged to Other Accounts	Deductions	Balance at End of Period
Allowance for net unrealized gains (losses) on securities:					
Year ended December 31, 2001	$ -0-				$ -0-
Year ended December 31, 2000	(53,000)			$ (53,000)	-0-
Allowance for doubtful accounts:					
Year ended December 31, 2001	21,966	$ 4,538			26,504
Year ended December 31, 2000	22,410			(444)	21,966

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
FORM 10-KSB, SCHEDULE III
AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS,
PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES
Years ended December 31, 2001 and 2000

Col. A	Col. B	Col. C	Col. D		Col. E
			Deductions		
Name of Debtor	Balance at Beginning of Period	Additions	(1) Amounts Collected	(2) Amounts Written off	Balance at End of Period
Year ended December 31, 2001	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
Year ended December 31, 2000	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
FORM 10-KSB, SCHEDULE IV
PROPERTY, PLANT AND EQUIPMENT
Years ended December 31, 2001 and 2000

Col. A	Col. B	Col. C	Col. D	Col. E
Description	Balance at Beginning of Period	Additions at Cost	Other Changes - Add (Deduct)	Balance at End of Period
2001:				
Land	$ 61,620		$ (1,620)	$ 60,000
Building	1,463,551	$ 600	(110,187)	1,353,964
Machinery and equipment	819,523	75,422		894,945
Capitalized labor and overhead	753,239		(437,108)	316,131
Furniture and fixtures	157,472	581	(1,937)	156,116
Computer equipment	149,001	12,373		161,374
Transportation equipment	99,266			99,266
Leasehold improvements	47,222	37,805		85,027
	$ 3,550,894	$ 126,781	$ (550,852)	$ 3,126,823
2000:				
Land	$ 61,620			$ 61,620
Building	1,463,551			1,463,551
Machinery and equipment	633,744	$ 193,779	$ (8,000)	819,523
Capitalized labor and overhead	753,239			753,239
Furniture and fixtures	156,283	1,189		157,472
Computer equipment	108,136	40,865		149,001
Transportation equipment	50,750	48,516		99,266
Leasehold improvements	46,285	937		47,222
	$ 3,273,608	$ 285,286	$ (8,000)	$ 3,550,894

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
FORM 10-KSB, SCHEDULE V
ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
Years ended December 31, 2001 and 2000

Col. A Description	Col. B Balance at Beginning of Period	Col. C Additions Charged to Costs and Expenses	Col. D Other Charges - Add (Deduct)	Col. E Balance at End of Period
2001:				
Building	$ 56,291	$ 36,123	$ (5,651)	$ 86,763
Machinery, equipment and capitalized labor and overhead	939,083	128,638	(437,108)	630,613
Furniture and fixtures	136,560	3,857	(485)	139,932
Computer equipment	84,549	22,297		106,846
Transportation equipment	54,471	20,537		75,008
Leasehold improvements	21,428	5,731		27,159
	$ 1,292,382	$ 217,183	$ (443,244)	$ 1,066,321
2000:				
Building	$ 18,764	$ 37,527		$ 56,291
Machinery, equipment and capitalized labor and overhead	798,222	140,861		939,083
Furniture and fixtures	132,637	3,923		136,560
Computer equipment	64,493	20,056		84,549
Transportation equipment	37,654	16,817		54,471
Leasehold improvements	17,194	4,234		21,428
	$ 1,068,964	$ 223,418	$	$ 1,292,382

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
FORM 10-KSB, SCHEDULE VI
SUPPLEMENTARY INCOME STATEMENT INFORMATION
Years ended December 31, 2001 and 2000

Col. A	Col. B	
	Charges to Costs and Expenses	
Item	2001	2000
1. Amortization of software, advertising costs and other intangible assets	$ 48,489	$ 46,032

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There are no changes or disagreements.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following sets forth, with respect to each officer and/or director, his/her age, present position with the Company, principal occupation during the past five years, other directorships, if any, and the year he/she first became an officer and/or a director of the company.

Name of Officer/Director	Age	Position with the Company	Officer/ Director Since
Leonard A. Rosenbaum	56	President & CEO	1982
Alan H. Temple, Jr.	68	None	1986
Mitchell Drucker	53	Chief Financial Officer	1999
Sharon Canese	41	Secretary	1998
Martin J. Teitelbaum	52	Assistant Secretary	1985
Conrad Gunther	53	None	2000

Leonard A. Rosenbaum founded the Company in October 1982 and has been its President, Chief Executive Officer and a Director since that date. From 1971 until the time of his affiliation with the Company in 1982, Mr. Rosenbaum was President, a Director and principal stockholder of Nav-Tec Industries, a manufacturer of semiconductor processing equipment similar to the type of equipment presently manufactured by the Company. Nav-Tec Industries suspended operations, as related to the type of equipment presently manufactured by the Company, in 1984. From 1966 through 1971, Mr. Rosenbaum was employed by a division of General Instrument, a manufacturer of semiconductor materials and equipment.

Alan H. Temple, Jr. has been President, since 1977, of Harrison Homes, Inc. Pittsford, NY, a building and consulting firm.

Mitchell Drucker joined the company on April 19,1999. Prior to joining CVD, Mr. Drucker was General Manager of Infoserve Corporation for a period of 11 years. Mr. Drucker also held the position of Vice President of Bankers Trust Company from 1976-1984. In addition, Mr. Drucker has had a variety of engagements in the manufacturing and consulting arena.

Sharon Canese joined the Company on September 11, 1991. Prior to joining CVD, Mrs. Canese was Assistant Controller of Transcontrol Corporation for a period of four years. Mrs. Canese has also held the position of Financial Analyst of the Financial Planning Department at Eaton Corporation/AIL Division from 1983 to 1987.

Martin J. Teitelbaum was a partner in the law firm of Guberman and Teitelbaum, Smithtown, New York from February 1977 through December 1987. From January 1988 to date, Mr. Teitelbaum has been principal attorney for the Law Offices of Martin J. Teitelbaum. Mr. Teitelbaum became a director of the Company in 1985. From September 23, 1986 to December 31, 1986 he served as Corporate Secretary and served again as Corporate Secretary from August 1997 to February 1998. Since January 1, 1987 he has served as the Assistant Secretary. Mr. Teitelbaum serves as General Counsel to the Company.

Conrad Gunther was elected to the Board of Directors at the Annual meeting in 2000. Mr. Gunther is president of C J Gunther & Associates. He is the President of Electronic Vistas Inc., (EVI). Mr. Gunther also held the position of EVP & COO of North Fork Bancorporation. In addition, Mr. Gunther previously held the position of EVP and Division Manager of European American Bancorp.

All directors hold office until the next annual meeting of stockholders of the Company or until their successors are elected and qualify.

The Board of Directors met four times in the year 2001. Mr. Rosenbaum, Mr. Temple, Mr. Teitelbaum and Mr. Gunther attended all meetings.

ITEM 10. EXECUTIVE COMPENSATION

Remuneration

The following table sets forth certain information as to each of the Company's most highly compensated executive officers whose cash compensation exceeded $100,000.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation	Stock Options Granted
Leonard A. Rosenbaum	2001	$184,057	-0-
President and Chief	2000	$170,434	10,000
Executive Officer	1999	$163,742	-0-

The Company owns life insurance on the life of Leonard A. Rosenbaum in the amount of $2,000,000. The Company is the sole beneficiary of said policy.

In June 1989, the shareholders approved a non-qualified stock option plan covering key employees, officers and directors. Options will be awarded by the Board of Directors or by a committee appointed by the board.

Under the plan an aggregate of 700,000 shares of common stock, $.01 par value of the Company are reserved for issuance or transfer upon the exercise of options which are granted. Unless otherwise provided in the Option Agreement, an option granted under the plan shall become exercisable in 25% installments commencing one year from the anniversary date of the grant. The purchase price of the Common Stock under each option shall be no lower than the average bid price per share, calculated on a monthly basis, that the Common Stock (as reported by Nasdaq) traded during the calendar year immediately preceding the year in which the option is granted. The stock options generally expire five years after the date of grant. The stock option plan shall terminate on June 30, 2004.

In 1996 a total of 84,000 options were granted which did not vest until 1999 at which time they vested 100%. In 1998, 140,000 options were granted to employees other than executive officers or directors. The options vest at 25% per year starting in 1999. In 1999 a total of 52,500 options were granted to employees other than executive officers or directors. The options vest at varying rates starting in 2000. In 2000 a total of 325,500 options were granted to employees, executive officers and directors. These options vest at varying rates. To date 113,575 options have been exercised under this plan.

In July 2001, the shareholders approved a non-qualified stock option plan covering key employees, officers, directors and other persons that maybe considered as service providers to the company. Options will be awarded by the Board of Directors or by a committee appointed by the board.

Under the plan an aggregate of 300,000 shares of common stock, $.01 par value of the Company are reserved for issuance or transfer upon the exercise of options which are granted. Unless otherwise provided in the Option Agreement, an option granted under the plan shall become exercisable in 25% installments commencing one year from the anniversary date of the grant. The purchase price of the Common Stock under each option shall be no lower than the average bid price per share, calculated on a monthly basis, that the Common Stock (as reported by NASDAQ) traded during the calendar year immediately preceding the year in which the option is granted. The stock options generally expire five years after the date of grant. The stock option plan shall terminate on July 22, 2011.

No options have been granted under the July 2001 plan.

Other than the two non-qualified stock option plan, the Company has no pension or profit sharing plan or other contingent forms of remuneration.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS & MANAGEMENT

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Set forth below is certain information concerning persons who are known by the Company to own beneficially more than 5% of any class of the Company's voting shares on March 1, 2002:

Title Of Class	Name and Address of Beneficial Owner	Amount & Nature Of Beneficial Ownership	Percentage of Class
Common Stock	Leonard A. Rosenbaum 1881 Lakeland Avenue Ronkonkoma, NY 11779	1,300,450	42.9%
Common Stock	Alan H. Temple Jr. 10 Harrison Circle Pittsford, NY 14534	194,000	6.4%

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth as of March 1, 2002, information concerning the beneficial ownership of each class of equity security by each director and all directors and officers of the Company as a group:

Title Of Class	Name and Address of Beneficial Owner	Amount & Nature Of Beneficial Ownership (1)	Percentage of Class
Common Stock	Leonard A. Rosenbaum 1881 Lakeland Avenue Ronkonkoma, NY 11779	1,300,450	42.9%
Common Stock	Martin J. Teitelbaum 329 Middle Country Road Smithtown, NY 11787	26,000 (2)	*
Common Stock	Alan H. Temple, Jr. 10 Harrison Circle Pittsford, NY 14534	194,000 (3)	6.4%
Common Stock	Mitchell Drucker 307 Quail Drive Marmora, NJ 08223	23,900	*
Common Stock	All Directors and Officers as a group (four persons)	1,544,350	50.9%

* Less than 1%

(1) Except as noted, all shares are beneficially owned, and the sole voting and investment power is held by the persons named.

(2) Includes 2000 shares held by Mr. Teitelbaum's wife and beneficial ownership thereof is disclaimed by Mr. Teitelbaum.

(3) Includes and aggregate of 21,000 shares held by Mr. Temple's wife, as to which he disclaims beneficial interest.

CHANGES IN CONTROL

The Company knows of no contractual arrangements that may at a subsequent date result in a change of Company control.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During 2001, the Company incurred approximately $94,000 in legal fees to Martin J. Teitelbaum a director of the Company and principal attorney for the law offices of Martin J. Teitelbaum.

PART IV

ITEM 13. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

1. Exhibits – The following Exhibits are filed as part of, or incorporated by reference into, this report on Form 10-KSB
   - (3) Articles of incorporation and by-laws
   - (4) Instruments defining the rights of holders, including indentures
   - (9) Voting trust agreement
   - (10) Material Contracts
   - (11) Statement re: Computation of per share earnings
   - (13) Annual or quarterly reports, Form 10-QSB
   - (18) Letter on change in accounting principles
   - (19) Previously unfiled documents
   - (21) Subsidiaries of registrant
   - (22) Published report regarding matters submitted to vote
   - (23) Consent of experts and counsel
   - (24) Power of Attorney
   - (28) Information from reports furnished to state insurance authorities
   - (99) Additional exhibits

   All items included by reference.
2. Financial Statements – The following consolidated financial statement of CVD Equipment Corporation and report of Independent Accountants are filed as part of this Report on Form 10-KSB and should be read in conjunction with the related notes thereto, included herein.

   The following financial statements of CVD Equipment Corporation are included in Part II, Item 7:

3. Financial Statement Schedules

All other schedules are omitted because they are not applicable, or not required, or because information is included in the consolidated financial statements or notes thereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 27th day of March 2002.

CVD EQUIPMENT CORPORATION

By: /s/ Leonard A. Rosenbaum
Leonard A. Rosenbaum
President and Chief Executive Officer

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Leonard A. Rosenbaum Leonard A. Rosenbaum	President, Chief Executive Officer and Director
/s/ Alan H. Temple, Jr. Alan H. Temple, Jr.	Director
/s/ Martin J. Teitelbaum Martin J. Teitelbaum	Director
/s/ Mitchell Drucker Mitchell Drucker	Chief Financial Officer
/s/ Sharon Canese Sharon Canese	Secretary
/s/ Conrad Gunther Conrad Gunther	Director